

**TESTIMONY OF JIM JEFFREY  
BOARDMEMBER  
GOOSE CREEK CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**

**ON  
ELECTRIC UTILITY INDUSTRY RESTRUCTURING:  
WHY SHOULDN'T ALL CONSUMERS HAVE A CHOICE?**

**BEFORE THE  
  
COMMITTEE ON COMMERCE  
SUBCOMMITTEE ON ENERGY AND POWER  
UNITED STATES HOUSE OF REPRESENTATIVES**

**MAY 9, 1997**

THE PROBLEMS THAT FACE OUR COUNTRY'S PUBLIC SCHOOL SYSTEMS, SUCH AS SHRINKING BUDGETS AND WORKFORCES AND INCREASING STUDENT POPULATIONS. ARE WELL KNOWN. AS AN ELECTED SCHOOL BOARD OFFICIAL, I'VE EXPERIENCED THESE PROBLEMS FIRSTHAND. HOWEVER, MANY PEOPLE DON'T STOP TO THINK ABOUT WHAT **FINANCIALLY-**STRAPPED SCHOOLS ARE FORCED TO SPEND ON ELECTRICIN.

DURING THE YEARS I'VE SPENT WORKING WITH THE GOOSE CREEK CONSOLIDATED INDEPENDENT SCHOOL DISTRICT. I'VE REALIZED THAT THE UTILITY COMPANIES ARE TAKING ADVANTAGE OF SCHOOL SYSTEMS THROUGHOUT TEXAS. BECAUSE OF THEIR FAVORABLE REGULATORY STATUS, THE UTILITIES ARE COMPLETELY INFLEXIBLE WHEN IT COMES TO THE POSSIBILITY OF GIVING SCHOOLS A BREAK ON RATES. AND OUR PUBLIC SCHOOLS HAVE NEITHER THE RESOURCES NOR THE MANPOWER TO EXPLORE OTHER POWER OPTIONS.

MR. CHAIRMAN, I HAVE SEEN THE ELECTRIC BILLS. PAGE AFTER PAGE AFTER PAGE OF BILLS. AFTER TEACHERS SALARIES. THE MONTHLY ELECTRIC EXPENSES ARE THE SECOND LARGEST ITEM ON MOST SCHOOL BUDGETS.

THE NUMBERS ARE EYE-OPENING. THE GOOSE CREEK SCHOOL DISTRICT HAS 23 FACILITIES SERVING 18,000 STUDENTS. LAST YEAR, OUR ELECTRIC BILL TOTALED \$3.1 MILLION DOLLARS -AND IT IS A FAIRLY SMALL

DISTRICT. THE MUCH-LARGER HOUSTON SCHOOL DISTRICT SPENDS CLOSE TO \$20 MILLION ANNUALLY.

MANY PEOPLE ASSUME THAT BECAUSE SCHOOL DISTRICTS ARE SUCH HEAVY USERS OF ELECTRIC POWER, THEY CAN **NEGOTIATE BETTER** RATES **WITH** THE UTILITY COMPANIES. THIS IS A FALSE ASSUMPTION.

THE GOOSE CREEK DISTRICT ACTUALLY APPROACHED HOUSTON LIGHTING & POWER TO TRY TO NEGOTIATE BETTER TERMS FOR THE SCHOOLS. **WE** ASKED IF WE COULD PURCHASE IN BULK TO CUT THE ELECTRIC BILLS. BUT WE WERE TOLD THAT NOTHING COULD BE DONE.

NOTHING COULD BE DONE, MR. CHAIRMAN, BECAUSE **HL&P**, LIKE ALL OF THE LOCAL UTILITIES IN TEXAS, FACES NO COMPETITION. THESE COMPANIES ADVISE SCHOOLS TO LOWER THEIR ELECTRICITY COSTS BY **SEALING** WINDOWS AND INSTALLING MORE EFFICIENT LIGHTING AND AIR CONDITIONING, FOR EXAMPLE. THAT ADVICE IS WHAT PASSES FOR INNOVATIVE SERVICE IN TODAY'S NON-COMPETITIVE~ENVIRONMENT.

OUR SCHOOLS CANNOT SHOP AROUND FOR A BETTER PRICE. IN FACT, OUR CURRENT LAWS ACTUALLY PREVENT AN INDEPENDENT POWER PROVIDER OR OTHER UTILITY FROM COMING INTO THE MARKET TO OFFER LOWER COST ELECTRICITY OR ENHANCED SERVICE. **HL&P** TOLD US THAT THE CURRENT PRICE AND SERVICE LEVELS WERE THE BEST THEY COULD DO.

AT THAT POINT, I REALIZED THAT THE ELECTRICITY SITUATION IN TEXAS HAD GOTTEN COMPLETELY OUT OF HAND. SCHOOLS WERE CRYING FOR

CHANGE, AND YET THE LOCAL MONOPOLIES REFUSED TO DO ANYTHING TO HELP. I KNEW THEY COULD MAKE CHANGES, BUT **WITHOUT** THE THREAT OF COMPETITION, WHY SHOULD THEY?

MOST ESTIMATES SUGGEST THAT ELECTRIC POWER RATES COULD DROP BY 20 TO 30 PERCENT IF THE SYSTEM WERE COMPETITIVE. EVEN IF EVERY PUBLIC SCHOOL IN THE COUNTRY ACHIEVED A RELATIVELY MODEST 15 PERCENT CUT IN THEIR UTILITY BILLS, THE SAVINGS WOULD BE **LARGER** THAN THE AMOUNT PRESIDENT CLINTON PROPOSED SPENDING IN FISCAL YEAR 1998 ON HIS GOALS 2000 EDUCATION INITIATIVE.

SOMETHING, OBVIOUSLY, HAD TO BE DONE TO MEET THE NEEDS OF TEXAS PUBLIC SCHOOLS AS WELL AS SCHOOLS AROUND THE COUNTRY. IN THE SPIRIT OF AMERICAN ENTREPRENEURSHIP, I TOOK MY **EXPERIENCE** FROM UNSUCCESSFUL DEALINGS WITH AN INFLEXIBLE, **GOVERNMENT-**SANCTIONED MONOPOLY TO FORMULATE A COMMON-SENSE SOLUTION. THE RESULT OF THESE EXPERIENCES WAS THE FORMATION OF POWERED – MY OWN AGGREGATION COMPANY -TO TAKE ON THE MONOPOLIES. I WANT TO PROVE JUST HOW EASY IT IS TO PROVIDE OUR CHILDREN THE BENEFITS OF CHEAPER ELECTRICITY.

POWERED IS A POWER PURCHASING CONSULTANCY TARGETED AT PUBLIC SCHOOLS. WE APPROACH PUBLIC SCHOOL DISTRICTS TO LET THEM KNOW THEY WILL HAVE A CHOICE IN ELECTRICITY PROVIDERS AND A SIMPLE OPTION TO SAVE MONEY.

ALTHOUGH THE COMPANY IS STILL IN ITS INFANCY, THERE IS ALREADY A DEMAND FOR OUR SPECIALIZED SERVICES. WE HAVE PARTNERED **WITH**, AND ARE ENDORSED BY, A NATIONAL **ORGANIZATION** -THE AMERICAN ASSOCIATION OF SCHOOL ADMINISTRATIONS (AASA). POWERED IS THE ONLY COMPANY I KNOW OF THAT IS CONCENTRATING ON PROVIDING SCHOOLS WITH SPECIALIZED FINANCIAL, ACCOUNTING, TECHNICAL AND RISK MANAGEMENT ASSISTANCE TAILORED TOWARDS CRAFTING THE MOST EFFICIENT, LOWEST COST ELECTRIC BILL.

POWERED IS A **GROWTH** COMPANY, AND WE DON'T HIDE THE FACT THAT WE'RE IN BUSINESS TO GIVE OUR INVESTORS A RETURN ON THEIR CAPITAL. BUT AS WE CONTINUE TO ADD JOBS TO MEET CONSUMER DEMAND, I AM OVERWHELMED WITH A SENSE OF PERSONAL FULFILLMENT. THE IDEA OF HELPING SCHOOLS CAME DIRECTLY FROM MY HEART, BECAUSE I KNOW OF THEIR DESPERATE NEEDS, AND I CAN PROVIDE COMMON-SENSE SOLUTIONS. I HAVE *CHOSEN* TO WORK WITH PUBLIC SCHOOLS, BECAUSE WHEN THESE SCHOOLS OPERATE MORE EFFICIENTLY AND AT A LOWER COST, OUR KIDS – OUR *FUTURE-ARE* THE ONES WHO BENEFIT MOST.